

Faircourt CSCRF 2008 No. 1 Limited Partnership

2008 Annual Management Report of Fund Performance

For the period from inception on December 19, 2007 to December 31, 2008

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the Faircourt CSCRF 2008 No. 1 Limited Partnership (the Partnership). You can get a copy of the annual financial statements at your request, and at no cost, in the following ways: by calling our toll free number 1 888 350 8818, or by writing us at Suite 450, 650 W. Georgia Street, Vancouver, BC, CANADA V6B 4N8 or by visiting our website at www.cscrf.ca or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the Partnership's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Management Discussion of Fund Performance

The management discussion of the Partnership's performance presents the views of Faircourt CSCRF 2008 Management Ltd. No. 1 (the General Partner) about the significant factors and developments affecting the Partnership's performance and outlook for the period from inception on December 19, 2007 to December 31, 2008.

Please read the caution regarding forward-looking statements located at the end of the document.

Investment objectives and strategies

The investment objective of the Partnership is to provide its limited partners with a tax assisted investment in a diversified portfolio of flow-through shares of resource issuers with a view to (i) maximizing the tax benefit of an investment in units and (ii) achieving capital appreciation for its limited partners.

The Partnership's investment strategy entails investing in a diversified portfolio of flow-through shares of resource issuers that will incur, and renounce to the Partnership, Canadian exploration expenses which the Partnership intends to flow through to limited partners. The Partnership's principal strategy is to invest in flow-through shares of junior and intermediate resource issuers that have experienced and capable senior management, well-planned exploration programs, and superior potential for future growth, where such flow-through shares can be acquired at attractive prices. The principal business of the resource issuer will be (i) primarily mineral exploration, development and production; and (ii) to a lesser extent, oil and gas exploration, development and production and certain energy production that will incur certain start-up phase costs of renewable energy projects.

Management of the investment portfolio may involve the sale of flow-through shares or other securities held by the Partnership and the reinvestment of the net proceeds from any such dispositions in flow-through shares and other shares of resource issuers or in high quality liquid investments.

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Risk

The overall risk of the Partnership is as described in the prospectus dated February 27, 2008.

There were no material changes to the Partnership over the financial period that affected the overall level of risks associated with an investment in the Partnership. The suitability and investor risk tolerance of the Partnership remain as disclosed in the prospectus.

Results of Operations

The Partnership was formed as a limited partnership under the Limited Partnerships Act (British Columbia) on December 19, 2007 and commenced active operations on January 1, 2008. The General Partner of the Partnership is Faircourt CSCRF 2008 No. 1 Management Ltd. (the General Partner). Under the Limited Partnership Agreement between the General Partner and each of the limited partners, the General Partner is entitled to a 0.01% beneficial interest in the Partnership.

A closing of 415,854 partnership units (gross proceeds of \$4,158,540) took place on March 11, 2008 and another closing of 116,040 partnership units (gross proceeds of \$1,160,400) took place on April 8, 2008 and as a result, the Partnership incurred \$678,165 in issue costs. Investments were made with the proceeds in accordance with the Partnership's stated investment strategy as outlined in the February 27, 2008 prospectus.

For the period ended December 31, 2008, the Partnership earned investment income of \$9,153, from interest income on demand deposits. This amount should normally be relatively small as the Partnership's main objective is to maximize its holdings in equity investments and thus attempts to minimize the cash balance throughout the year.

During fiscal 2008, the Partnership incurred \$48,528 of audit fees, legal fees of \$7,984 and unitholder administration and communication costs of \$103,488. The sum of these fees is \$160,000, which is the maximum administrative and operating expense permitted as outlined in the Prospectus. The actual administrative and operating expense items for fiscal 2008 exceeded this \$160,000 limit however the excess expenses were absorbed by the General Partner. Audit fees, legal fees, administrative and communication costs for fiscal 2008 proved to be higher than expected as this was the formation year for the Partnership, but it is anticipated that these fees will fall below the limit for future periods.

Portfolio Advisory fees of \$23,622 and General Partner fees of \$39,362 are calculated in accordance with the formulas outlined in the prospectus and are based on the Partnership's net asset value (NAV). As a result, these fees will directly fluctuate with changes in the Partnership's NAV.

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During the period the Partnership entered into a loan agreement. The minimum amount borrowed during the period was \$NIL and the maximum amount borrowed during the period was \$678,165. As at December 31, 2008, the loan balance outstanding is \$NIL which represents 0% of NAV. The Partnership incurred \$21,509 in related interest expense as a result of this loan. The loan was used solely to finance the Agents' fees and other expenses of the sale of partnership units, in order to maximize the available funds that could be invested in flow-through shares and thus write-offs to unitholders. This loan was secured by assignment of guaranteed investment certificate from the Partnership and had an interest component of prime + 0.50% per annum, and was repayable on demand.

The net investment loss for the period ended December 31, 2008 was \$235,340 or \$0.44 per partnership unit as a result of the above explained activities.

For the period ended December 31, 2008, the Partnership experienced a change in unrealized depreciation of investments of \$2,093,421, or \$3.93 per partnership unit. This represents the net decrease in the fair value of the portfolio as at December 31, 2008 over the original purchase cost of the investments. The significant decrease in the fair value of the portfolio for the period is as a result of the turbulent economic environment in the fourth quarter of 2008 and its resulting impact on the market values of the Partnership's investment portfolio. The Partnership did not recognize any gain or loss on the sale of investments, as the Partnership is still in its early phase of operations, and no dispositions had been made in the period.

The net result of all of the above discussed activities for the period has led to an overall decrease in net assets from operations in the amount of \$2,328,761 (\$4.37 per partnership unit).

Recent Developments

During the fourth quarter of 2008, global stock markets experienced significant turbulence due to a convergence of adverse credit, liquidity and economic developments. As the Partnership predominantly invests in equity securities, exposure to market risk and returns has been impacted by a general market downturn. The Portfolio Advisor has managed the overall Partnership exposure by adherence to the overall investment restrictions of the Partnership.

Continuing weak worldwide market conditions has caused investors to convert holdings into cash as quickly as possible and the lack of liquidity has caused the junior resource sector to drift much lower on thin trading volumes. This market weakness coupled with the ongoing debt crisis in the United States and Europe has resulted in general economic indicators pointing to a worldwide recession.

In this environment the outlook for investment and growth in the resource exploration sector is poor with many companies electing to either postpone, abandon or seek partners and merger candidates for continuing their exploration projects. The result is that across the board, the market capitalizations of these companies have fallen in the last two quarters and shareholders of these companies, such as the Partnership, have experienced an unprecedented unrealized loss on their investment holdings.

The Partnership expects the current volatility in the financial markets to continue, at least in the near term, therefore the Partnership will continue to closely monitor its existing flow-through investment portfolios, with the view of maximizing unitholder value to the greatest extent possible in these difficult markets.

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The Partnership has established an independent review committee (“IRC”) to whom the General Partner is to refer all conflict of interest matters in order to obtain a recommendation or approval, as applicable. National Instrument 81-107 – Independent Review Committee for Investment Funds (“NI 81-107”) further mandates that the IRC be composed of at least three independent members and required that they conduct assessments and regularly report to the General Partner and unitholders in respect of its duties. There were no transactions in the year which required approval of the IRC.

International Financial Reporting Standards

The Canadian Accounting Standards Board (“AcSB”) in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over a five-year transitional period.

In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported for the year ended December 31, 2010. As the Partnership is expected to be dissolved before December 31, 2010, the Partnership is not expected to have to implement IFRS accounting and disclosure requirements.

Related Party Transactions

The following transactions occurred with related parties and are recorded at the exchange amount being the price agreed between the parties:

- a. The General Partner was paid \$39,362 during the period ended December 31, 2008 for management fees;
- b. A private company controlled by two directors of the parent corporation of the General Partner was paid \$50,875 during the period ended December 31, 2008 for accounting and financial service fees and the amount is disclosed in unitholder administration and communication expense;
- c. The parent corporation of the General Partner was reimbursed \$41,039 during the period ended December 31, 2008 for administrative and issuance costs attributable to the Partnership and the amount is disclosed in unitholder administration and communication expense;
- d. The General Partner was reimbursed \$7,800 during the period ended December 31, 2008 for legal fees associated with issuance costs;
- e. The parent corporation of the General Partner, a private company controlled by an officer of the parent corporation of the General Partner and the General Partner were reimbursed \$14,112, \$30,500 and \$68,933 in issuance costs during the period ended December 31, 2008, respectively;

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- f. The parent corporation of the General Partner is due a balance as at December 31, 2008 of \$8,385 and the amount is included in accounts payable and accrued liabilities. The balance is unsecured, non-interest bearing and due in the normal course of operations; and
- g. The General Partner owes a balance as at December 31, 2008 of \$82,863. The balance is unsecured, non-interest bearing and due in the normal course of operations.

Financial Highlights

The following tables show selected key financial information about the Partnership and are intended to help you understand the Partnership's financial performance for the period from inception on December 19, 2007 to December 31, 2008.

The Partnership's Net Assets per partnership unit ⁽¹⁾⁽³⁾

	For the period from inception on December 19, 2007 to December 31, 2008 ⁽²⁾⁽⁴⁾	
Net assets, beginning of period	\$	<u>10.00</u>
Increase (decrease) from operations:		
Total revenue	\$	0.02
Total expenses		(0.46)
Realized loss for the period		-
Unrealized loss for the period		<u>(3.93)</u>
Total decrease from operations⁽³⁾	\$	<u>(4.37)</u>
Distributions	\$	-
Net assets, end of period	\$	<u>4.35</u>

⁽¹⁾ This information is derived from the Partnership's audited annual financial statements. The net assets per partnership unit presented in the financial statements do not differ from the net asset value calculated for fund pricing purposes.

⁽²⁾ Results are for the period from inception on December 19, 2007 to December 31, 2008.

⁽³⁾ Net assets and distributions are based on the actual number of partnership units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of partnership units outstanding over the financial period.

⁽⁴⁾ This schedule is not a reconciliation of NAV since it does not reflect Partner's Transactions as shown on the Statement of changes in net assets, including issue costs, and accordingly the column does not add.

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Ratios and Supplemental Data

	For the period from inception on December 19, 2007 to December 31, 2008⁽²⁾
Total Net asset value ⁽¹⁾	\$ 2,312,014
Number of partnership units outstanding ⁽¹⁾	531,894
Management expense ratio ⁽³⁾	24.18%
Trading expense ratio ⁽²⁾⁽⁵⁾	0.00%
Portfolio turnover rate ⁽²⁾⁽⁴⁾	0.00%
Net asset value per partnership unit ⁽¹⁾	4.35

⁽¹⁾ This information is provided as at December 31, 2008.

⁽²⁾ This information is provided for the period from inception on December 19, 2007 to December 31, 2008.

⁽³⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of monthly average net asset value during the period. Total expenses, for the initial period, include issuance costs. Issuance costs are typically incurred on the formation of the Partnership, thus the management expense ratio, in the initial period, may be higher than subsequent operating periods.

⁽⁴⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of monthly average net asset value during the period.

⁽⁵⁾ The Partnership's portfolio turnover rate indicates how actively the Partnership's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Partnership buying and selling all of the securities in its portfolio once in the course of the year. The higher the Partnership's portfolio turnover rate in a year, the greater the trading costs payable by the Partnership in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Partnership.

Management fees

The General Partner has coordinated the organization of the Partnership. The General Partners will develop and implement all aspects of the Partnership's communications, marketing and distribution strategies and will manage the ongoing business, investment and administrative affairs of the Partnership. In consideration for these services and pursuant to the terms of the Partnership Agreement, the Partnership will pay to the General Partner an annual fee equal to 1.25% of the NAV. This fee will be calculated and paid quarterly in arrears based on the NAV at the end of each preceding quarter. The fee for 2008 was \$39,362.

The Portfolio Advisor will provide advice to the Partnership and support for the General Partner in identifying, analyzing and selecting investment opportunities and structures and negotiating prospective investments as agent for the Partnership. For these services the Portfolio Advisor is entitled to an annual fee of 0.75% of the NAV calculated and paid quarterly in arrears. The fee for 2008 was \$23,622.

The Partnership will distribute the total of these fees to the General Partner and the General Partner is obliged to the payout of the respective fees to the Portfolio Advisor.

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Management fees breakdown:

Administration, communication and marketing: 62%

Investment advice and agents' commissions: 38%

In addition to the management and portfolio advisory fees described above, the General Partner and the Portfolio Advisor will each be entitled to an incentive bonus, to be paid on or before the dissolution of the Partnership, as follows:

The aggregate incentive bonus will be equal to 20% of the amount, if any, by which total Net Asset Value per partnership unit at the relevant time plus the aggregate amount per partnership unit of all distributions paid prior to that time exceeds \$11.20. The incentive bonus will be divided equally between the General Partner and the Portfolio Advisor.

Past Performance

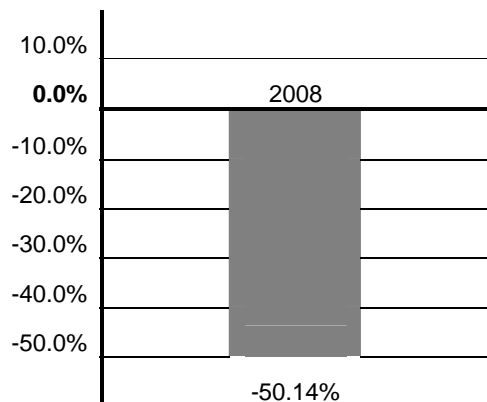
The information below indicates the annual compounded returns of the investment portfolio for each of the periods shown. NAV returns are calculated using the NAV per Partnership unit.

For calculation purposes, the inception price is set equal to the NAV per Partnership unit on the Partnership's formation date of December 19, 2007, less issue costs.

Partnership returns do not take into account sales, redemptions, distributions or optional charges that would have reduced returns or performance. Past performance of the investment portfolio does not necessarily indicate its future performance.

Year by Year Returns

The chart shows the performance of the investment portfolio for the period from inception on December 19, 2007 to December 31, 2008. The chart shows, in percentage terms, how an investment made on the first day of the period would have grown or decreased by December 31 of that year.



⁽¹⁾ Total return for the period from inception on December 19, 2007 to December 31, 2008

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Annual Compound Returns

	Since Inception on December 19, 2007 to December 31, 2008
Faircourt CSCRF 2008 No. 1 Limited Partnership ⁽¹⁾	(50.14%)
S&P/TSX Composite Index ⁽²⁾	(32.88%)

⁽¹⁾ The table above shows the Partnership's compound total return for the period from inception on December 19, 2007 to December 31, 2008.

⁽²⁾ The return for the S&P/TSX Composite Index, a broad-based securities market index, is provided to give an indication of the performance of the market on an overall basis for the same period. The S&P/TSX Composite Index is capitalization-weighted index designed to measure the market activity of stocks listed on the Toronto Stock Exchange (the "TSX").

A comparison of relative performance may not be meaningful as most of the Partnership's holdings are not in the index, as these holdings generally do not meet the liquidity, market capitalization or minimum trade weighted average price requirements for inclusion in the S&P/TSX Composite Index. Since the Partnership does not necessarily invest in the same securities of, or in the same proportion as, the index, the performance is not expected to be identical.

In addition, the Partnership must purchase flow-through shares issued from a company's treasury typically at a premium to its market price to reflect the tax advantages

Also, the returns do not take into account the tax benefits of investing in flow-through shares. This is significant considering one of the Partnership's investment objectives is to maximize the tax benefits for limited partners. The returns would have been significantly higher than the stated returns if the tax savings were incorporated into the calculations. In addition, the Partnership incurred various issue costs in connection with the offering of the partnership units and is subject to costs, such as management fees and trading expense that are not borne by the index.

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Summary of Investment Portfolio

As at December 31, 2008

Net Assets: \$2,312,014

Holdings		Portfolio Breakdown	
Name of security	% of Net Assets	Sector/Subgroup	% of Net Assets
Avalon Ventures Ltd	15.14%	Precious Metals	37.50%
Houston Lake Mining Inc.	10.85%	Energy	31.15%
Bitterroot Resources Ltd	10.38%	Base Metals	24.42%
Formation Capital	8.65%	Cash	3.69%
Reliable Energy Ltd	8.65%	Uranium	2.53%
Garson Gold Corp.	7.79%	Other Assets net of liabilities	0.71%
1250900 Alberta Ltd.	7.06%		100.00%
Strategic Oil & Gas Ltd.	6.59%		
Primary Petroleum Corp.	5.19%		
Rolling Rock Resources Corp.	3.14%		
Uranium North Resources Corp.	2.53%		
Yukon Gold Corp.	2.16%		
PanTerra Resource Corp.	2.04%		
Fjordland Exploration Inc.	2.02%		
Guradian Exploration Inc.	1.62%		
Orestone Mining Corp.	0.93%		
Yankee Hat Minerals Ltd.	0.87%		

The summary of investment portfolio may change due to ongoing portfolio transactions. A quarterly update is available at www.cscrf.ca.

Forward-Looking Statement

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions which include, among other things that (i) the Partnership will have sufficient capital under management to effect its investment strategies, (ii) the investment strategies will produce the results intended by the General Partner, and (iii) the markets will react and perform in a manner consistent with the investment strategies. Forward looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate.

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We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Partnership may invest in and the risks detailed from time to time in the Partnership's prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Partnership, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, Faircourt CSCRF 2008 No. 1 Limited Partnership does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.